



Patrick W. Henning, Director
September 25, 2008
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Arnold Schwarzenegger
Governor

Mr. Bryan S. Rogers
Pacific Gateway Workforce Investment Network
3447 Atlantic Avenue
Long Beach, CA 90807

Dear Mr. Rogers:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Pacific Gateway Workforce Investment Network's (PGWIN) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. David Jansson from April 28, 2008, through May 2, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by PGWIN with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of PGWIN, a review of applicable policies and procedures, and a review of documentation retained by PGWIN for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on September 3, 2008, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding one cited in the draft report, no further action is required and we consider the issue resolved.

BACKGROUND

The PGWIN was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, PGWIN was allocated: \$1,902,187 to serve 408 adult participants; \$2,069,457 to serve 294 youth participants; and \$1,227,967 to serve 225 dislocated worker participants.

For the quarter ending March 31, 2008, PGWIN reported the following expenditures and enrollments for its WIA programs: \$1,138,856 to serve 306 adult participants; \$923,575 to serve 182 youth participants; and \$835,008 to serve 242 dislocated worker participants.

FISCAL REVIEW RESULTS

We conclude that, overall, PGWIN is meeting applicable WIA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we conclude that, overall, PGWIN is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of small purchases. The finding that we identified in this area, our recommendation, and PGWIN's proposed resolution of the finding is specified below.

FINDING 1

Requirement:

29 CFR Section 97.36 (d)(1) states, in part, that if small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

WIA Directive WIAD00-2 states, in part, that small purchases must be documented with a sales receipt, current catalogs with price lists, or formal quotes depending on the amount of the purchase.

Observation:

We found that PGWIN's procurement policy and procedures do not state that an adequate number of qualified sources or when discussing price/cost analysis procedures with PGWIN staff, they noted that in the absence of a specific guideline including specific levels of cost, PGWIN adopted Long Beach City's guidelines for specific levels describing when to obtain quotes/bids. However, those guidelines do not require a cost/price analysis for purchases between \$0.01-\$999. Since PGWIN directly procures goods and services under the Federal WIA programs, it must follow federal procurement guidelines as identified in 29 CFR 97.36.

Recommendation:

We recommended that PGWIN revise its small purchase policy to require more than one quote for purchases between \$0-\$999. Additionally, we recommended that PGWIN provide the Compliance Review Division with a corrective action plan, stating how it will ensure, in the future, that PGWIN obtains more than one quote and conducts a prices analysis for purchases between \$0-\$999.

PGWIN Response:

The PGWIN provided a copy of its revised Procurement Policy dated August 13, 2008, that requires at least two price quotes and price/cost analysis for any purchase within the \$0.01 to \$999 price range.

State Conclusion:

We consider this finding resolved.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is PGWIN's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain PGWIN's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was

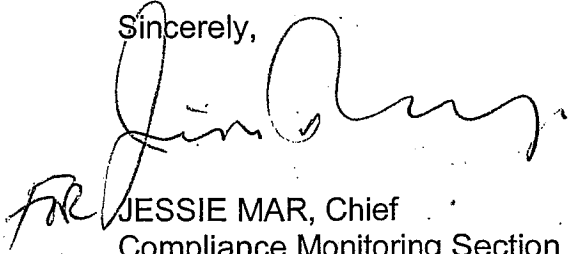
Mr. Bryan S. Rogers

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September 25, 2008

conducted, please contact Ms. Mechelle Hayes at (916) 654-7005 or Mr. David Jansson at (916) 654-7690.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar", written in black ink.

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45
Georgeanne Pintar, MIC 50
Larry Scaramella, MIC 50